



PRESS RELEASE

May 25, 2010

## **Connacher Oil and Gas Limited Completes Commissioning and Commences Steam Circulation at its Algar Oil Sands Project**

Calgary, Alberta – Connacher Oil and Gas Limited (“Connacher”) announced today it has completed the commissioning of its central processing and steam generating plant at the Algar oil sands project (“Algar”), on schedule and without any major complications. First steam is being circulated in the seven steam assisted gravity drainage (“SAGD”) well pairs on well pad 203. Algar is located within Connacher’s principal Great Divide oil sands lease block approximately 80 km southeast of Fort McMurray, Alberta.

All of Algar’s 17 SAGD well pairs, distributed among three well pads, were drilled, completed and are now prepared to accept steam into the injector and producer well bores. Starting with the SAGD well pairs on well pad 203, each of the well pairs will be brought into circulation on a staged basis, over the next several weeks. Connacher plans to circulate steam into each pair of well bores for approximately 60 to 90 days prior to the planned start-up of bitumen production. The process will be closely monitored to determine the optimum production start-up date, based on individual well response.

The Algar project has a design steam generation capacity of 30,000 bbl/d, which, at its forecast long-term target peak operating steam:oil ratio (“SOR”) of 3.0, is anticipated to facilitate production of 10,000 bbl/d of bitumen over a project life of more than 25 years. Algar received regulatory approval in 2008 and construction was completed in April 2010. First production is anticipated in the third quarter of 2010.

Connacher Oil and Gas Limited is a Calgary-based exploration, development, production, refining and marketing oil company. Our major asset is our interest in the Great Divide bitumen production projects. Pod One, our first 10,000 bbl/d SAGD project, is currently operational. Algar is the company’s second 10,000 bbl/d bitumen production project and it was also designed for further expansion, upon receipt of regulatory approvals. We also own conventional crude oil and natural gas production in Western Canada and own and operate a 9,500 bbl/d heavy oil refinery located at Great Falls, Montana and maintain an approximate 19 percent equity stake in Petrolifera Petroleum Limited, a public oil company active in Argentina, Peru and Colombia in South America. Our common shares (CLL – TSX) and our outstanding convertible debentures are listed for trading on the Toronto Stock Exchange.

### Forward-Looking Information

*This press release contains forward-looking information including but not limited to the planned timing for steaming of the SAGD well pairs and first production from Algar and anticipated long-term peak operating SOR for and production levels from Algar,. Forward-looking information is based on management’s expectations regarding future growth, results of operation, production, future commodity prices and foreign exchange rates, future capital and other expenditures (including the amount, nature and sources of funding thereof), plans for and results of drilling activity, environmental matters, business prospects and opportunities and future economic conditions. Forward-looking information involves significant known and unknown risks and uncertainties, which could cause actual results to differ materially from those anticipated. These risks include, but are not limited to operational risks in development, exploration and production; delays or changes in plans with respect to exploration or development projects or capital expenditures; the uncertainty of reserve and resource estimates; the uncertainty of estimates and projections relating to production, costs and expenses, and health, safety and environmental risks; the uncertainty of geological interpretations; the risk of commodity price and foreign exchange rate*

*fluctuations; risks associated with the impact of general economic conditions; and risks and uncertainties associated with securing and maintaining the necessary regulatory approvals and financing to proceed with the continued expansion of the Great Divide Oil Sands Project. Readers should be cautioned that design steam generation capacity for Algar is the calculated maximum obtainable steam output based on the Algar plant design and may not be representative of actual steam capacity at Algar. The actual SOR realized could have a material impact on the production levels at Algar. These and other risks and uncertainties are described in further detail in Connacher's Annual Information Form for the year ended December 31, 2009 ("AIF"), which is available at [www.sedar.com](http://www.sedar.com).*

*Although Connacher believes that the expectations in such forward-looking information are reasonable, there can be no assurance that such expectations shall prove to be correct. The forward-looking information included in this press release is expressly qualified in its entirety by this cautionary statement. The forward-looking information included in this press release is made as of the date hereof and Connacher assumes no obligation to update or revise any forward-looking information to reflect new events or circumstances, except as required by law.*

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